

Washington, D.C. – Today, Congressman Joe Sestak (PA-07) voted for, and the House passed by a vote of 237-170, the Auto Industry Financing and Restructuring Act (HR 7321). The Congressman supported the proposal because it provides bridge loans until March 31, 2009, that will prevent the imminent collapse of the domestic auto industry -- while demanding strict accountability for taxpayer funds and industry restructuring to achieve viability, international competitiveness, fuel efficiency, and reduced emissions. —

“I am concerned that that we can not lose this industry right now in the midst of a severe recession which will be greatly accelerated if Congress does not act, promptly. The U.S. domestic industry accounts for about 4% of all GDP and 10% of U.S. Industrial production. One in 10 American jobs is linked to the auto industry, and Ford, GM, and Chrysler support about 2-3 million American jobs, including auto parts manufacturers and auto dealers across all 50 states. This is the right legislation because it is not about saving the present industry. Rather, it is a bridge to put in place the necessary building blocks for a transformed, lean, competitive industry that can be a strong source of jobs, the preservation of our advanced research and development and a restructured manufacturing capability necessary for our economic security, while avoiding the devastating near-term loss of confidence in our challenged economy, with the resultant loss of significant state and local revenues,” said Congressman Sestak.

In November; 533,000 U.S. jobs were lost; over the last three months, this means that more than 1.2 million jobs have been lost, driving up the unemployment rate from 6.1% to 6.7%. And for the first 11 months of the year, car sales are down 16%: Chrysler declined 27%, GM 22%, and Ford 19%, respectively. Of note, Toyota is down, but only 13% and Nissan was 9%.

“It is obvious that the domestic car industry did make wrong decisions in the past, failing to transform itself to compete globally with fuel efficient vehicles as non-U.S. auto companies did. The lack of a national energy policy did not help. However, while my support for such a financial assistance bill might have been different in normal market times, the present shaken confidence in our economy cannot sustain the failure of this industry without a longer and more protracted recession occurring that would gravely harm jobs in my District, as well as 1 million in our Nation. But my vote was not to ‘save’ this industry but, rather, to ensure there was the proper accountability to retool the domestic auto industry to compete globally with the foreign car makers. This accountability includes: a ‘car czar’ that can overrule the automobile companies’ decisions that do not achieve their competitive restructuring; an end to such loans if this retooling plan is not completed and approved by March, 2009; and an end to shareholder dividends, executive bonuses and ‘golden parachutes’ – as the auto companies pay back the loans that have been made to them,” said Congressman Sestak.

To prevent the loss of millions of American jobs while ensuring strict accountability and the restructuring of the industry, the Auto Industry Financing and Restructuring Act includes the following specific provisions:

TRANSPARENCY AND ACCOUNTABILITY:

The President will designate individuals to hold the car companies accountable for developing and implementing viable long-term restructuring plans that ensure viability, international competitiveness, fuel efficiency, and reduced emissions while ensuring compliance on financing efforts. This so-called "Car Czar" will have unfiltered access to the company's financial records, has veto power over industry expenditures in excess of \$100 million, and is given authority to prioritize how the funds are spent.

Tax Payer Protections

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- Executive Compensation: All executive compensation restrictions of TARP apply to Auto Manufacturers receiving financial assistance for the duration of that assistance, plus: (1) no bonuses or incentives to 25 most highly paid employees; (2) stringent prohibition on golden parachutes; and (3) no compensation plan that could encourage manipulation of reported earnings to enhance compensation; _____
- Dividends: Auto Manufacturers receiving financial assistance (including any holding company in case of Chrysler) generally may not pay dividends, distributions, or their economic equivalent for duration of the assistance; _____
- Super Seniority: All other obligations of any Auto Manufacturer receiving loans (or in the case of Chrysler, Chrysler's holding company or Cerberus) will be subordinate to those loans to the extent permitted by the terms of such obligations in effect as of 12/2/08. Auto Manufacturer will pledge all available security and collateral against the loans; _____
- Discharge: In the event of a bankruptcy of an Automobile Manufacturer, the debts to the government from the financial assistance will not be dischargeable; _____
- Aircraft: An Auto Manufacturer must divest and may not own or lease any private passenger aircraft while financial assistance is outstanding. _____

Bans on Corporate Excess

- _____
- No 'golden parachutes;' and _____
 - No bonuses for the 25 most highly paid employees at each company. _____
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Strong Independent Oversight

Provisions similar to GAO and Special IG oversight provisions of TARP apply, plus explicit grant to GAO of access to Auto Manufacturers' records (including records of any subsidiary, affiliate, or majority stakeholder in case of Chrysler/Cerberus). Extensive reporting requirements from GAO, Special IG, and President's Designee to Congress.

Restructure or Repay

If an Automobile Manufacturer fails to submit a restructuring plan that can be approved by the President's Designee within the time provided by the Act, the loan will be called in 30 days, unless a restructuring plan is approved within that period.

RE-TOOLING FOR INNOVATION AND EFFICIENCY

Energy Efficient Advanced Technology Vehicles

Reserves \$500 million in credit subsidy equal to \$1.5 billion for manufacturing energy efficient advanced technology vehicles, and authorizes additional appropriations to replenish these funds.

Fuel Efficiency and Emissions Requirements

Restructuring plan will not be approved unless the President's Designee determines that the plan will result in the ability of the Automobile Manufacturer to comply with applicable fuel efficiency and emissions requirements. In addition, the President's Designee may accelerate repayment of a loan or cancel other financial assistance if the Automobile Manufacturer fails to comply with applicable fuel efficiency and emissions requirements after 3/31/09.

Transit

Each Automobile Manufacturer will analyze the potential use of excess production capacity to manufacture vehicles (including buses and rail cars) for sale to public transit agencies. Also includes provisions to guarantee leases of qualified public transit agencies.

The Congressman's vote for the Auto Industry Financing and Restructuring Act is another example of his ongoing efforts to restore federal transparency in the midst of this economic crisis. In November, while involved in Congressional hearings examining the root causes and effects of the turmoil in our economy, Congressman Sestak wrote to Secretary Paulson noting that the "restoration of public confidence in our governmental and financial institutions can not begin until the American taxpayers see consistent enforcement of the oversight provisions – and behavior from the financial institutions acknowledging that many of them share the responsibility for the economic crisis that has engulfed our country and the rest of the global economy." Therefore, it is most incumbent upon Congress to ensure full transparency through accountable oversight of the actions taken by the Federal Government – correcting the absence of these which led to the market's failure.

Also in November, Congressman Sestak wrote to Speaker Nancy Pelosi to ask her to join him in demanding Secretary Paulson follow the accountability measures specified in the Stabilization bill and calling on the Democratic leadership to accelerate the assignments of positions on the Congressional Oversight Panel so that it could meet its requirements for supervising use of taxpayer funds. The final appointments were announced on Thursday 21 November, more than 6 weeks after the bill was originally passed by the House and Senate.

Congressman Sestak also sent a letter to United States Attorney General Michael Mukasey requesting him to "conduct an appropriate and thorough investigation into any and all financial institutions, corporations, and individuals that are suspect of criminal action relating to our current economic crisis."

"Today, the Congress acted to address one more part of the overall economic crisis facing this Nation's jobs and national security. While I believe more is required, further action must wait until the new Administration takes office," said Congressman Sestak.

Born and raised in Delaware County, former 3-star Admiral Joe Sestak served in the Navy for 31 years and now serves as the Representative from the 7th District of Pennsylvania. He led a series of operational commands at sea, including Commander of an aircraft carrier battle group of 30 U.S. and allied ships with over 15,000 sailors and 100 aircraft that conducted operations in Afghanistan and Iraq. After 9/11, Joe was the first Director of "Deep Blue," the Navy's anti-terrorism unit that established strategic and operations policies for the "Global War on Terrorism." He served as President Clinton's Director for Defense Policy at the National Security Council in the White House, and holds a Ph.D. in Political Economy and Government from

Harvard University. According to the office of the House Historian, Joe is the highest-ranking former military officer ever elected to the Congress.

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